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SUBJECT: TRANSITION #14: LEONEL FERNANDEZ AT DOMINICAN
INAUGURAL PROMISES AUSTERITY, ANTI-CORRUPTION AND SUPPORT
FOR SOCIAL CONCERNS

11. (SBU) This is #14 in our series on the transition between
the Mejia and Fernandez governments in the Dominican Republic.

Fernandez promises Austerity, Anti-Corruption and Support for
Social Concerns

In an eloquent, emphatic inaugural speech on August 16, a day
of national pageantry, Leonel Fernandez reassumed the
Dominican presidency with emphasis on the gravity of the
economic crisis, an admonition on the inevitability of
sacrifice, and the need for austerity. He declared his
intention to cut current expenditures of the government by 20
percent.

Following are other principal points in his August 16
declaration. (Our comments are at the end of this text.)

FISCAL MEASURES

- - He emphasized his intention to cut current expenditure
and to negotiate a revised IMF standby agreement.
- - To deal with the burden of Central Bank (CB) medium-term
debt issued to cover bank failures, the incoming
administration has obtained promises from national and
international investors to lend dollars to the Bank at
international rates. These dollars will be used to retire
some of the 90 billion pesos in medium-term debt (USD 2
billion), on which the Bank has been obliged to pay high
nominal interest rates (35 to 55 percent, according to date
and term of issuance)
- - He stated that the terms on all existing CB debt
instruments will be respected.
- - Fernandez asserts that these measures will result in new
investment and the return of flight capital, stimulating
growth and increased employment.

CORRUPTION

- - Corruption is "morally and legally unacceptable" and the
administration will take all appropriate measures to prevent
and punish corruption, in keeping with the OAS Interamerican
Convention against Corruption.
- - The administration will not pursue political reprisals
but will not provide "a clean slate and a new start" for
anyone accused of corruption.
- - "Let make clear once again: let no one try to whisper
something to me in private that he is unwilling and unable to
say to me in public."

SOCIAL PROGRAMS

- - UNDP statistics record that more than 1 million
Dominicans have passed below the poverty line in recent years.
- - The administration will initiate social action programs
in health, nutrition, feeding, and education, with the help
of civil society. Emergency feeding programs will reach out
to the poorest families, serving 25,000 families by January,
2005 and eventually as many as 200,000. An emergency program
will aim to resupply hospitals with basic medicines.
- - Special attention will be paid to subsidies and delivery
of electricity and household cooking gas.
- - Fernandez defended at length the concept of
"capitalization" (privatization) initiated by his first

administration, quoting a long paragraph from a recent report by the Special Commission on Energy summarizing advantages to date of privatization.

- - Electricity blackouts occur because of high costs for fuel, electricity losses, non-payment by many users, and the inability to date of the government to pay promised subsidies. Fernandez cited, point by point, the ten recommendations delivered recently by a national consensus dialogue (NOTE: sponsored by USAID). He put numbers on key recommendations -- USD 50 million in short-term credit for fuel purchases and targeting the electricity subsidy to households consuming less than 200 kilowatt hours per month.

- - In coming days the administration will take a number of measures to assure normal distribution of cooking gas across the country.

INSTITUTIONS

- - The country suffers serious institutional problems. The dictatorship of Trujillo and the dominance of remarkable charismatic leaders Juan Bosch, Joaquin Balaguer, and Jose Francisco Pena Gomez shaped politics and restrained the unscrupulous and greedy. A new generation now must take action against insecurity, trafficking in influence, clientelism, illicit enrichment, abuse of power, lack of respect and the general lack of seriousness.

- - The executive and Congress must reconquer the respect of the people. "If the current crisis has served for anything, it is to utterly expose the bankruptcy of a system manifestly incompetent, unjust, and corrupt. Let us change it together. Let us shake the tree of Dominican democracy and shake out the rotten fruit."

MODERNITY, PROGRESS AND THE DIGITAL ERA

- - Fernandez quoted from Alvin and Heidi Toffler's essay, "Creation of a New Civilization," concerning a "third wave" of change and the arrival of a digital age. He asserted the need to improve access to modern education for all Dominican children, including particularly to computers.

- - He endorsed the concept of "community colleges" similar to those in the United States as a means of vocational education.

- - Fernandez advocated modifications to the Dominican Constitution to establish economic, social and cultural rights.

- - He wants to pass legislation on social participation, criminal procedure and guarantees of due process. He wants to continue programs of reform to improve the central government, the judiciary, and the prison system; he wants to "professionalize" the executive offices involved in administration of justice.

INTERNATIONAL FOREIGN RELATIONS

- - Fernandez will pursue policies favoring peace and international security, reinforcing multilateral mechanisms in conformity with the UN and with the Organization of American States. He expects to strengthen and diversify bilateral relations across the world, "with special attention to our neighbor, Haiti."

GOVERNMENT OF UNITY

- - He proposes a "government of national unity" including a new Economic and Social Council with representation from business, labor, civil society and churches to provide direction to regional and provincial development authorities. Fernandez concluded by invoking the guidance of God and asserting that a "new spirit has taken hold in our people -- a spirit of optimism, faith, confidence and determination." He called out a new PLD slogan, "All of us forward together!" ("E'palante que vamos!" -- a variation on the popular PLD campaign merengue tune directed against the Mejia administration, "They're on their way out!" -- "E pa' fuera que van!").

Atmospherics

August 16 inaugural events were festive and formal, with almost all those attending formal events dressed according to tradition in white suits. Newly elected President of the Senate Andres Bautista opened the morning ceremony with a stiff but earnest speech promising legislative cooperation with the new administration in the national interest, quoting John F. Kennedy's inaugural call, "Ask not what your country can do for you but rather what you can do for your country."

President Mejia was correct and cordial throughout the ceremony. He shook hands with Fernandez at the opening and congratulated him afterward, with a smile and a pat on the

back -- despite stinging language in the speech that some might interpret as a reproach to Mejia.

Fernandez's clarity, his admonition of the need for sacrifice, and his apparent mastery of the economic and institutional brief were sufficient to reinforce the sky-high expectations of Dominicans that a new day is ahead. Most commentators strongly praised his speech and his messages. PRD-associated economist Jaime Aristy Escuder pointed out tartly that Fernandez had resorted to some rhetoric with questionable math and selective history in order to make his points about the seriousness of the situation, but Aristy nevertheless found the general approach to be sound.

Fernandez was eloquent, assured, and reassuring, rarely looking at his notes and delivering his citations from memory. He reached both the educated and the unschooled, using concepts, text and images in a bravado performance. And in the afternoon, just before the military parade, he and his attractive First Lady, attorney Margareta Cedenro, swept majestically the length of the seafront Malecon in downtown Santo Domingo, greeting the enthusiastic crowds from the back of a Cadillac convertible that dated back to the mid-1950's -- a reminder, perhaps, that the thinking man was smart enough to touch on the memories of the dictator who built the country.

That was day one. And now it's "all of us forward together" as we figure out how Fernandez and his team are going to deal with those big issues.

12. Drafted by Michael Meigs

13. This report, the full text in Spanish of the inaugural address, and other reports in our transition and elections series are available on our classified SIPRNET site <http://www.state.sgov.gov/p/wha/santodomingo/> along with extensive other material.
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